ARBOR MEMORIAL SERVICES INC. ANNUAL REPORT 2002

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CORPORATE PROFILE Arbor Memorial Services Inc. ("Arbor" or the "Company") is a Canadian company incorporated in Ontario which, through wholly owned subsidiaries, is a leader in providing interment rights, cremations, funerals and associated merchandise and services to customers across Canada. It owns 41 cemeteries, 27 crematoria and 93 funeral homes (including 5 partially-owned funeral homes) in communities in eight provinces of Canada. The Company's cemeteries and funeral homes have been developed to provide services to many ethnic and religious groups in Canada. The cemetery properties range in size from approximately 20 to 230 acres and are staffed by permanent maintenance, administrative, and sales personnel.

COVER IMAGE *Ekoi cap headress. Worn by members of the Ekkpe Association during burial and other ceremonies. Cross River, Nigeria.*

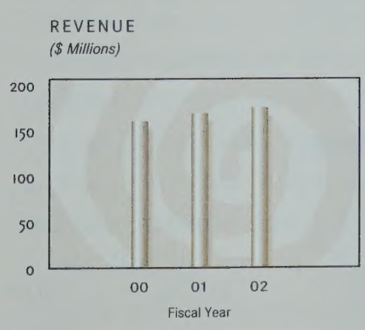
COMPANY HIGHLIGHTS

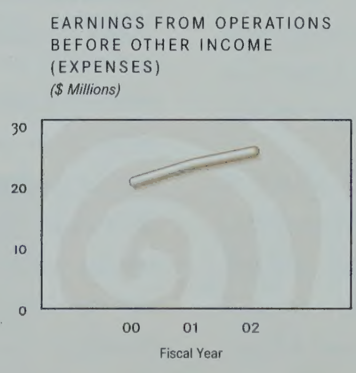
YEARS ENDED OCTOBER 31	2002	2001	2000
OPERATIONS			
Revenue *($000)*	174,676	168,510	160,009
Earnings from operations before other income (expenses) *($000)*	26,022	24,073	21,224
Net earnings *($000)* [1]	15,982	7,193	6,746
Cash flow from operating activities *($000)*	10,570	14,587	15,671
PER SHARE DATA			
Earnings *($ per share)* [1]	1.51	0.68	0.64
Cash flow from operating activities *($ per share)*	1.00	1.38	1.48
Weighted average number of shares outstanding *(000)*	10,595	10,595	10,594
MAJOR RESOURCES			
Cemeteries	41	40	40
Crematoria	27	27	27
Funeral homes [2]	93	92	95
Care funds *($000)*	116,311	106,379	99,451
Total assets *($000)* [3]	714,300	674,682	645,775

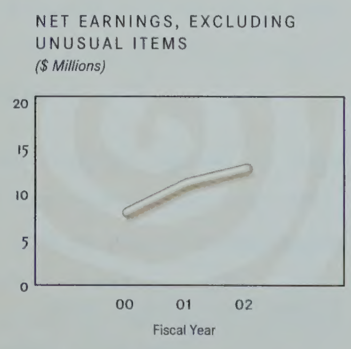
(1) Net earnings in 2002, excluding the impact of other income (expenses) and tax rate changes, were $12.9 million or $1.21 earnings per share (2001 - $11.3 million or $1.07 earnings per share; 2000 - $8.1 million or $0.77 earnings per share on a similar basis and excluding goodwill amortization).

(2) This figure includes five funeral homes in which the Company has interests ranging from 40% to 48%.

(3) Total assets restated to conform with current year's presentation.







2002 WAS ANOTHER EXCELLENT YEAR FOR ARBOR MEMORIAL SERVICES INC. WE CONTINUED TO BUILD OUR BUSINESS PROFITABLY IN BOTH OF OUR MAJOR BUSINESS SECTORS, CEMETERY AND FUNERAL.

FINANCIAL PERFORMANCE

- Record total revenue of $174.7 million, up 4% from 2001.
- Record cemetery sales of $80.2 million, up 5% from 2001.
- Record funeral sales of $81.9 million, up 3% from 2001.
- Record investment income of $12.0 million, up 3% from 2001.
- Record earnings before income taxes of $26.6 million, up 54% from 2001.
- Earnings per share increased 13% to $1.21 from $1.07 in 2001, excluding unusual items.
- After a major advance in 2001, Arbor's share price showed only a modest gain on Class A shares and no gain on Class B shares in 2002. However, this performance compared very favourably to The Toronto Stock Exchange, which declined by 9% in 2002.

OCTOBER 31ST		2002	2001	2000
Market Price:	Class A Voting	$12.50	$12.00	$7.00
	Class B Non-Voting	$12.50	$12.50	$5.55

OTHER DEVELOPMENTS

- In the fourth quarter of 2002, the Company's results reflected a 24-cent per share gain from a settlement reached with the Canada Customs and Revenue Agency ("CCRA") with respect to reserves claimed on the sale of interment rights for the years 1987 to 2000. As a result of this settlement, the Company will receive $11.3 million from CCRA in 2003.

- In 2001 and 2002, the Company and the Ontario Association of Cemeteries participated in the Bereavement Sector Advisory Committee, along with other industry participants, consumer groups and government officials, convened by the Ontario Ministry of Consumer & Business Services. On November 20, 2002, the Ontario Minister of Consumer & Business Services introduced Bill 209 to modernize and strengthen consumer protection in the Bereavement Services Sector. One recommendation of particular interest is that this legislation will permit funeral homes to be located on cemetery property. Currently, Ontario and Prince Edward Island are the only two provinces that prohibit funeral homes from being located on cemetery property. Combining a funeral home and a cemetery provides important consumer benefits, improves cost efficiency, and has proven to be very successful for Arbor in other provinces. Ontario is a critical market for Arbor as 21 of the Company's 41 cemeteries are located in this province. The Bill received Royal Assent on December 13, 2002. The next step in the process is the Ministry staff, in co-operation with the industry, will develop and approve the regulations over the next six to twelve months.

INVESTMENT IN THE FUTURE

While consistent growth in revenue and earnings is an important objective for the Company, our major emphasis is on building for the future and enhancement of long-term shareholder value.

In 2002, the Company made a number of significant investments to enhance future performance.

- Pre-need cemetery arrangements contracted during the year achieved a new record of $58.4 million, up 5% from 2001. The total undelivered pre-need cemetery contracts and associated investment income accumulated at the end of 2002 was $269.5 million, the equivalent of 3.4 years of current year cemetery sales.

- Pre-need funeral arrangements contracted during the year achieved a new record of $43.1 million, up 14% from 2001. Since these contracts are not included in the Company's reported sales until the funerals are performed, they have no immediate impact; however, they do contribute to building future market share and enhancing future financial performance. The total undelivered pre-need funeral contracts and associated investment income accumulated at the end of 2002 was $256.5 million, the equivalent of 3.1 years of current year funeral sales.

- In March 2002, the Company opened its third combination funeral home and cemetery sales office, Hillcrest Memorial Gardens located in Saskatoon. Funeral home and cemetery sales office combinations in Edmonton and Winnipeg have been outstanding successes.

- In August 2002, the Company opened its 41st cemetery, Glenview Memorial Gardens located in Vaughan, Ontario.
- Acquisition of a 100-acre parcel of land in Markham, Ontario for future cemetery development.
- Broad scale implementation of a computer based system that is used by funeral directors during the funeral arrangement process with customers. This system provides a consistent, interactive presentation to the customer and reduces administrative costs.
- Completion of design and start of construction on a "state of the art" enterprise computer system that will replace the existing cemetery and funeral systems.
- Start of construction on a 3,845-crypt mausoleum addition at Glendale Memorial Gardens, the Company's largest cemetery.
- Start of construction on a 3,014-crypt mausoleum addition at Highland Memory Gardens, the Company's second largest cemetery.

OUTLOOK

Historical trends and future projections indicate sustained and consistent growth in the consumer demand for the products and services provided by your Company.

Arbor is in sound financial condition and well positioned for continued growth in revenue, earnings and shareholder return. Arbor is the only company with a broad scale presence in both the funeral and cemetery sectors of the industry in Canada, which results in considerable synergy not available to other industry participants.

Over the years, Arbor has placed major emphasis on pre-need sales for future delivery, significant investment in new facilities, and other initiatives to participate in the growth of the total market, and increase market share.

We are extremely proud of the Company's over 1600 employees across Canada, whose talent, training, hard work and dedication have been critical to our success. We thank them for their continued support and contribution to our business. We also thank you, our shareholders, for your continued support.

On behalf of the Board,

RICHARD D. INNES

President and Chief Executive Officer

ARBOR'S BUSINESS

The Company

Arbor Memorial Services Inc. ("Arbor" or the "Company") is a Canadian company incorporated in Ontario which, through wholly owned subsidiaries, is a leader in providing interment rights, cremations, funerals and associated merchandise and services to customers across Canada. It owns 41 cemeteries, 27 crematoria and 93 funeral homes (including 5 partially-owned funeral homes) in communities in eight provinces of Canada.

Arbor is the successor to a business formed in 1947 to establish a national system of garden cemeteries in which the beauty of the gardens was enhanced by careful landscaping and the use of memorials set flush with the ground. In the 1980's, Arbor began to provide funeral as well as cemetery services, both at the time of need and on a pre-need basis. The Company's cemeteries and funeral homes have been developed to provide services to many ethnic and religious groups in Canada.

Another premise of the Company was to develop the "pre-need" concept, which enables consumers to make their cemetery and or funeral arrangements in advance, thereby avoiding additional emotional and financial stress during a time of bereavement. The Company believes that it is an industry leader in marketing pre-need cemetery and funeral arrangements, an integral part of Arbor's long-term business strategy.

Cemetery Operations

Cemeteries and crematoria offer a variety of services and products that include interment rights (ground burial, mausolea, columbaria and cremation gardens), bronze memorials, monuments, vaults, urns, interment services and cremation services. The Company offers a complete range of options for personalized memorialization and prides itself on providing the best quality products and services to its customers. In fiscal 2002, cemetery operations accounted for approximately 50 percent of the Company's total revenues.

The cemetery properties range in size from approximately 20 to 230 acres and are staffed by permanent maintenance, administrative, and sales personnel. At October 31, 2002, the Company's developed and undeveloped cemetery land totalled approximately 3,500 acres. Approximately 40% of the total acreage was available for future development.

Funeral Operations

Funeral homes provide a range of services that include embalming, registration of death, the use of funeral home facilities for visitation, memorial services and funeral receptions, transportation services, cremation and the sale of caskets, flowers and other related merchandise. Most Arbor funeral homes have comfortable reception lounges with fully equipped kitchens and extensive seating. In fiscal 2002, funeral operations accounted for approximately 49 percent of the Company's total revenues. As of October 31, 2002, the majority of the Company's facilities were owned by its subsidiaries as opposed to being leased.

Employees

At October 31, 2002, the Company employed 1,641 people, including 100 employees at the Company's head office location in Toronto, Ontario. Labour unions or collective bargaining units represent only 0.5% of the

Company's employees. The Company strives to provide a good working environment for its employees and as a result, the Company believes that it maintains good employee relations.

DEATH CARE INDUSTRY AND COMPETITION

Cemetery Division

In Canada, cemetery operations are provided by a large number of religious, ethnic and fraternal organizations, municipal governments and other "not-for-profit" organizations, as well as commercial owners. Two large multi-national firms own a number of cemeteries in Canada; however, their presence in the cemetery business is significantly less than in the funeral business. In addition, the Company competes with monument dealers, and other non-traditional providers of cemetery products and services. Cemeteries generally range in size from under one acre to over 200 acres.

Only a small number of organizations have developed large modern cemeteries and even fewer provide a full range of services due to the somewhat significant barriers to entry. Specifically, entry into the cemetery industry can be difficult due to:

- the desire for families to return to the same cemetery for generations;
- mature markets, particularly metropolitan areas, already having an adequate number of cemeteries;
- land for new cemetery development being difficult to locate;
- complex cemetery regulations and zoning restrictions; and
- the significant capital investment required.

Arbor competes by presenting well-maintained premises and a wide variety of burial space selection. In addition, the Company strives to provide services and products that appeal to the different cultural backgrounds of its customers. There is active competition in every major community in which Arbor operates cemeteries, crematoria or funeral homes. Arbor is highly competitive in every market in which it operates.

Funeral Division

Although Arbor competes with two large multi-national firms which operate funeral homes in Canada, small independently owned firms controlling one or two funeral homes account for the largest number of funeral home operators in Canada. Barriers to entry are high because of capital start-up costs, increasing regulatory complexity and the importance of an established reputation in competing for market share. The Company also competes with casket retailers and low-cost funeral providers in certain of its markets.

Throughout most of the 1980's and 1990's, the Company and its competitors were involved in the acquisition of independently owned firms. However, this trend slowed in early 1999 when the Company and its competitors generally applied lower valuation criteria and many potential sellers withdrew their businesses from the market rather than pursuing transactions at lower prices.

The Company's growth in the funeral segment is now focused on construction of new funeral homes and reception centres and expanding existing locations where warranted. The establishment of funeral homes and reception centres at cemeteries is a priority, especially in Ontario where legislative changes are in process to allow a funeral home to operate on a cemetery property.

Arbor competes in the funeral segment by providing unique, personalized funeral services and by offering well-maintained, attractive facilities that cater to its customers' requirements. The Company's objective is to be first or second in terms of market share in every market in which it competes. In large part, the Company has been able to achieve this objective.

Industry Trends

Establishment of new cemeteries: The establishment of individual cemeteries by religious, ethnic and fraternal organizations and municipal governments has declined. Many existing religious cemeteries are nearing full capacity and few religious organizations have the funds to acquire new cemetery facilities. In general, the interest of municipal governments in fulfilling the requirement for cemetery facilities has been declining.

Cremation: There has been a growing acceptance of cremation as an alternative to traditional burial. The Company has seen the number of cremation services it provides increase continually over the last few decades. However, while cremation was originally seen as a less costly alternative to traditional burial, it is increasingly accompanied by traditional funeral services and memorialization. Cremation also provides the Company with an opportunity to better serve its families by offering unique products and services. Arbor has been developing cremation gardens in a number of its cemeteries. These gardens are pleasantly landscaped with flowers, trees, shrubs, walkways, waterfalls, ponds and other landscaping and provide the Company's customers with alternatives for burial or scattering, and can be accompanied by various other memorial products such as benches, pedestals, rocks, trees and memorial walls.

Need for products and services: There is an inevitable need for the products and services the industry offers. In addition, the number of deaths in Canada is expected to increase at a steady, moderate pace. Statistics Canada projections indicate that Canada's population is growing by 1.1% annually. More specifically, seniors aged 65 and older accounted for 13% of the population in 2001 and as a percentage of the population are expected to reach 15% by 2011.

ARBOR'S STRATEGY

Competitive Strengths

The Company believes that it has many competitive strengths, such as the following;

Industry leader: Arbor is the leading provider of funeral and cemetery products and services in Canada and has been in business for over 50 years.

Experienced senior management team: Arbor's senior management team has been with the Company for an average of 24 years, and as such has a wealth of knowledge and history with the Company.

Focus on high quality customer service: Arbor has been providing its customers with high quality service for many years. The Company believes that it operates one of the premier death care facilities in each of its principal markets and that it provides superior funeral and cemetery services that exceed customer expectations.

Funeral homes and reception centres located on cemetery properties: Locating funeral homes and reception centres on cemetery properties allows the Company to provide superior customer service. On-site funeral and reception operations provide families with

the convenience of complete death care services at a single location and provide the Company with the ability to share certain costs and resources. Approximately 30% of the Company's cemeteries have a funeral home on-site and the Company currently has one reception centre on a cemetery in London, Ontario.

National presence in both the cemetery and funeral sectors of the death care industry: The Company's national presence in both the cemetery and funeral sectors allows for sharing of certain costs and resources and for referral opportunities between sectors.

Established base of pre-arranged services: Arbor has a significant history in pre-arrangement services. Pre-need planning enables families to specify their preferred cemetery and funeral products and services in advance and to pre-pay for these products and services in order to reduce emotional and financial stress at a time of bereavement. Arbor's focus on pre-need business is also important to the Company's results since these sales generate future revenues. As at October 31, 2002, the Company had deferred revenue to be recognized in future periods of $526 million. This represents approximately three years of current year sales for each of the cemetery and funeral divisions.

Key Objectives

Arbor has three key objectives:

- to generate a return to shareholders that exceeds the Company's cost of capital;
- to maintain Arbor's Canadian market leadership position in combined cemetery/funeral revenue; and
- to generate consistent growth in earnings per share with a limited risk profile.

Business Strategies

Service: One of the Company's most important strategies is to meet or exceed expectations with respect to the delivery of cemetery and funeral products and services, thereby exceeding the standard set by the competition.

Properties/facilities: Another of Arbor's market strategies is to meet or exceed the major competition in terms of the quality of each cemetery and funeral location it currently owns and operates. One exception to this basic strategy is where a facility has been specifically designed to service the lower-priced market segment. The Company currently operates few facilities in the lower-priced market segment.

Future investments: The Company's present priorities for future investments are:

- to establish funeral homes and memorial chapels/reception centres within its cemeteries or as stand-alone facilities in communities where there is market justification;
- to acquire or construct funeral homes that, in connection with the Company's cemeteries, will achieve the goal of complete service to customers;
- to acquire property to expand existing or develop new cemeteries;
- to continue to develop products and services that meet the unique needs of the many cultures the Company serves; and
- to establish or expand facilities to service the growing cremation market.

Asset management: Arbor strives to achieve a return that exceeds the Company's cost of capital both on a consolidated basis and a location-by-location basis.

Continued focus on pre-need sales: The Company intends to continue to emphasize pre-need arrangements in order to better serve its customers and to generate future revenues.

COMPANY AND INDUSTRY RISKS

Risks Related to the Company's Business

Interest rates: Increases in interest rates would increase the interest costs of the Company's variable rate long-term debt and have an adverse effect on the Company's net income and earnings per share. As at October 31, 2002, the Company had $50.4 million, or 52%, in variable rate long-term debt. Therefore, a 1% increase or decrease in the market interest rate could impact the Company's annual interest expense by approximately half a million dollars.

Market factors: A weakening economy could cause the Company to experience a decline in pre-need arrangements. A decline in pre-need arrangements would reduce the amount of revenue and net earnings the Company recognizes each year. In addition, a decrease in pre-need arrangements of cemetery merchandise and services and funeral merchandise and services would reduce the Company's accumulation of deferred revenue to be recognized in future years.

Competition: Price competition, increased advertising, better marketing or improvements in products and services offered by competitors in any market in which Arbor competes, could reduce the Company's market share or cause the Company to reduce prices or incur increased costs in order to retain or recapture market share, either of which could reduce revenues and margins.

Trust and Care Funds: Earnings from pre-need funeral and cemetery funds and care funds could be reduced by changes in stock and bond prices, and interest and dividend rates. Investment earnings and gains/losses on trust and care funds are affected by financial market conditions that are not within the Company's control. Earnings are also affected by the mix of fixed-income and equity securities that the Company has in the funds, and it may not choose the optimal mix for a particular market condition. A decline in earnings from trust funds would cause a decrease in future revenues. A decline in earnings from care funds would cause a decrease in current revenues.

Risks Related to the Company's Industry

Decline in number of deaths: A decline in the number of deaths in any of the Company's markets could cause a decrease in revenues. Changes in the number of deaths are not predictable over the short-term or from market to market.

Cremation: The increasing number of cremations in Canada could cause revenues to decline since the average revenue received from a cremation arrangement is generally lower than that received from a traditional arrangement.

Regulations: Changes in regulations applicable to the Company's business could increase costs, or require changes to business administration or operational practices. The death care industry is subject to extensive regulation and licensing requirements under federal, provincial and local laws. From time to time, various governments and agencies amend or add regulations, which could increase the Company's cost of operations.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Revenue for the year ended October 31, 2002 was $174.7 million; a 4% or $6.2 million increase from $168.5 million in 2001. The cemetery division contributed $4.4 million, or 71% of the increase, while the funeral division contributed $2.0 million, or 32% of the increase, offset by corporate, which decreased by $0.2 million, or 3% of the increase.

Investment income increased by 3% from $11.7 million in 2001 to $12.0 million in 2002. The increase was primarily attributable to additional funds invested in care funds in the cemetery division and higher fees received on the deposit of pre-need cemetery funds, and occured despite a slight decline in investment returns.

Operating expenses were slightly less as a percentage of sales in 2002 versus 2001 as a result of continued cost control efforts and ensuring that products and services are competitively priced. The cemetery division had expenses of $74.8 million, an increase of $1.9 million or 3% over 2001, while operating expenses in the funeral division were $60.9 million, an increase of $1.5 million or 2%. These increases were largely due to the higher sales volume, as operating expenses as a percentage of sales, excluding investment and other income, decreased by 2% in the cemetery division and remained stable in the funeral division.

General and administrative expenses increased by $0.9 million or 7% to $13.0 million; however, as a percentage of revenue, general and administrative expenses remained fairly consistent at 7.4% and 7.2% for 2002 and 2001 respectively.

Earnings from operations before other income (expenses) was $26.0 million, as compared to $24.1 million for 2001. Amortization of goodwill in the amount of $1.4 million was included in 2001 general and administrative expenses so on a comparable basis

2001 operating earnings, excluding goodwill amortization, would have been $25.5 million, therefore 2002 earnings represented an increase of $0.5 million or 2% on a comparable basis.

Other income (expenses) in 2002 included the disposal of two parcels of land for a gain of $0.3 million. The remaining $0.2 million gain on sale of assets consisted of net gains on disposals of automobiles and equipment. The provision for asset impairment of $0.2 million represented a provision taken against an investment in an associated corporation that operates a funeral home.

During the year, the Company reached a settlement with Canada Customs and Revenue Agency ("CCRA") with respect to reserves claimed on the sale of interment rights for the years 1987 to 2000. This resulted in a net amount of interest income of $4.7 million, which has been included in other income (expenses) in the current year. In the past, the Company continued to provide for taxes in its statement of earnings based on its position; however, tax remittances were made based on CCRA's reassessment position. The excess tax paid associated with CCRA's position has been classified up to now as income taxes on deposit on the balance sheet. The total excess income tax paid, together with the accumulated net interest of $4.7 million recognized in other income (expenses), amounts to $11.3 million, which is now classified on the balance sheet as income taxes receivable. The earnings per share impact of the tax settlement amounts to $0.24 on an after-tax basis.

Interest expense decreased from $5.7 million to $4.4 million in 2002 due to lower floating interest rates in the year and a reduction in the average long-term debt balance outstanding due to principal repayments. The average rate of interest on long-term debt for the year was 4.6% compared to 5.8% in 2001. The cost of interest rate swaps was $1.3 million this year as compared to $0.3 million in 2001 due to the decline in rates.

Income taxes for 2002 resulted in an effective tax rate of 40.0% as compared to 58.5% in 2001. The main reasons for the decrease were a $0.4 million benefit (2001 - $1.9 million expense) recorded against future income taxes to reflect reduced future federal and provincial income tax rates and non-deductible losses and other expenses. Excluding these amounts, the effective tax rate would have been 41.5% (2001 – 47.8%). The difference between this rate and the rate realized in 2001 was principally due to a reduction in the current federal and provincial income tax rates.

Net earnings and earnings per share were $16.0 million and $1.51 per share, an increase from $7.2 million and $0.68 per share in 2001. On a comparative basis, excluding the impact of goodwill amortization, net earnings in 2001 would have been $8.5 million, or $0.80 per share.

As a result of the adoption of the new goodwill standard on November 1, 2001, earnings in 2001 included amortization expense of $1.3 million net of tax ($1.4 million on a pre-tax basis), whereas 2002 net earnings do not include any amortization of goodwill. However, an impairment loss was charged to opening retained earnings in 2002 in accordance with the transition provisions under the new standard.

Excluding other income (expenses), the impact of the change in future tax rates and, in 2001, goodwill amortization, earnings from operations for 2002 on an after-tax basis were $12.9 million ($1.21 per share) as compared to $11.3 million ($1.07 per share) in 2001. The increase of $1.6 million or $0.14 per share was due to increased revenue, increased investment and other income, controlled expenditures, and lower interest and income taxes.

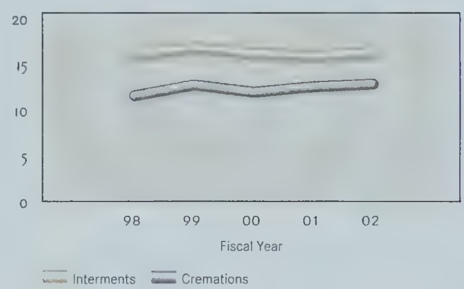
CEMETERY DIVISION

As at October 31, 2002, the Company owned 41 cemeteries, one more than 2001 due to the completion of Glenview Memorial Gardens in Vaughan, Ontario in August 2002.

Cemetery revenue: Cemetery sales in 2002 increased by $3.8 million or 5%, over 2001, from $76.4 million to $80.2 million. The sales recognized in the year comprised $50.5 million (2001 - $49.1 million) of pre-need sales of interment rights and merchandise and services provided during the year, and $29.7 million (2001 - $27.3 million) in at-need sales of interment rights, merchandise and services.

In 2002, the number of interments performed by the Company increased by 2% to 16,374 and the number of cremations increased by 3% to 12,983.

INTERMENTS AND CREMATIONS
(on an existing cemetery basis)



As the chart shows, the Company has experienced higher cremation volume for a number of years, while the volume of interments has remained fairly stable. As a result, the Company is focused on enhancing memorialization by offering additional merchandise and services consistent with the family's arrangements. This is demonstrated by the consistently increasing revenue in the cemetery division, as any negative impact from the lower cost cremation alternative has been more than offset by providing additional merchandise and services.

Pre-need arrangements for cemetery products and services contracted during the year were $58.4 million, a 5% increase over 2001 activity. In addition, the accumulated deferred pre-need cemetery sales as at October 31, 2002 were $269.5 million, which is a net $11.6 million, or 5%, increase over 2001. This equates to 3.4 years (2001 – 3.4 years) of cemetery sales based on current year's sales.

From a product mix perspective, the following table provides a percentage breakdown of the cemetery products and services sold in 2002 and 2001:

Cemetery Products and Services (Percentage of Sales)

	2002	2001
Interment Rights	%	%
Burial lots	19	20
Crypts and niches	25	25
	44	45
Products		
Memorials, bases and monuments	34	29
Vaults and liners	4	5
Urns	4	5
Other products	2	1
	44	40
Services	12	15
Total	100	100

Investment and other income on care funds and pre-need cemetery funds increased from $7.1 million in 2001 to $7.7 million in 2002 due to the larger amount of funds in trust, offset by a lower average rate of return on the funds.

Earnings from cemetery operations before other income (expenses) increased from $10.6 million in 2001 to $13.1 million in 2002. This $2.5 million or 24% increase is predominantly due to higher sales of $3.8 million, or 5%, and an improved gross margin as a result of price increases and favourable sales mix. In addition, investment income from the care funds and pre-need cemetery funds increased by $0.6 million.

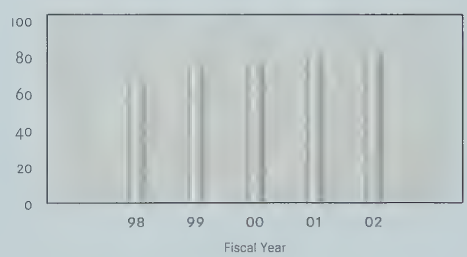
Other income (expenses) in 2002 was a gain of $0.4 as compared to a loss of $0.6 million in 2001. The gain in other income in 2002 was the result of disposing of two parcels of land, which were considered surplus to the Company's master development plan. During 2001, impairment in the value of a parcel of land created the loss of $0.6 million.

Earnings from cemetery operations for the year ended October 31, 2002 were $13.5 million, a 35% increase over $10.0 million for the year ended October 31, 2001. Excluding other income and expenses, the increase would have been $2.5 million, or 25%.

FUNERAL DIVISION

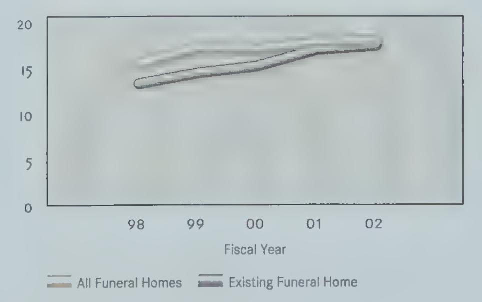
As at October 31, 2002, the Company owned 88 funeral homes, an increase of one over the previous year due to the completion of the Hillcrest Funeral Home in Saskatoon, Saskatchewan. The Company also has interests under 50% in five funeral homes for a total of 93 funeral homes.

FUNERAL DIVISION REVENUE
($Millions)



Funeral revenue in 2002 increased by $2.0 million or 3% over 2001, from $79.9 million to $81.9 million. Sales in the year consisted of $59.8 million in at-need sales of funeral merchandise and services (2001 - $59.6 million) and $22.1 million (2001 - $20.3 million) from the fulfillment of sales which were previously arranged on a pre-need basis.

FUNERAL SERVICES PERFORMED
(000)



The number of funeral services performed at the same 87 wholly owned funeral homes that existed as at October 31, 2001 increased by 122, just less than 1%, from 17,867 to 17,989. The average revenue per sale also increased in 2002 on a same funeral home basis as well as on an overall basis. During 2002, one funeral home was constructed at Hillcrest Memorial Gardens in Saskatoon. This funeral home opened in March 2002 and contributed an additional 71 funeral services to the 17,989 services performed at existing

locations for a total of 18,060 services performed during 2002. The three funeral homes sold during 2001 contributed 60 funeral services to the 17,867 services performed at existing locations, for a total of 17,927 services performed during 2001.

The Company's focus on expanding pre-need funeral arrangements caused deferred revenue, including the associated investment income, to increase by $19.7 million or 8% over 2001, for a total of $256.5 million at October 31, 2002. The total undelivered pre-need funeral revenue accumulated at the end of 2002 translates to 3.1 years (2001 – 3.0 years) of current year's sales. Pre-need contracts written in 2002 totalled $43.1 million compared to $37.9 million in 2001, an increase of $5.2 million or 14%.

Investment and other income in the funeral division remained consistent at $4.1 million in 2002. A slight increase in fees received on the deposit of pre-need funeral funds was offset by a decrease in the Company's share of equity earnings from associated companies.

Earnings from funeral operations before other income (expenses) increased by $0.5 million or 2%, from $24.6 million in 2001 to $25.1 million in 2002, due to a modest decrease in expenses as a percentage of sales. In addition, there was no goodwill amortization in 2002 due to the adoption of the new goodwill standard (2001 – $1.4 million).

Other income (expenses) in 2002 was a loss of $0.1 million as compared to a loss of $0.5 million in 2001. During 2002, a provision for impairment in the carrying value of an investment in an associated company was recorded in the amount of $0.2 million, which was partially offset by gains on disposals of automobiles and equipment in the normal course of business. The loss recorded in 2001 related to the sale of two funeral homes.

Earnings from funeral operations for the year ended October 31, 2002 were $25.0 million, a 4% increase over $24.1 million for the year ended October 31, 2001.

CORPORATE

Corporate revenue, consisting of rental income from leasing a portion of the Company's head office building, and interest on the Company's bank accounts, short-term investments and mortgages receivable, was $0.8 million in 2002 compared to $1.0 million in 2001. The main reason for the decrease was lower investment and other income as the building remains fully leased.

Corporate expenses increased by $0.9 million or 7%, from $12.1 million in 2001 to $13.0 million in 2002. The increase was largely attributable to increases in employee costs, including the costs associated with the Company's bonus plan and employee benefits. Despite the increase in dollars, as a percentage of total revenue, corporate expenses remained consistent at 7.4% in 2002 as compared to 7.2% in 2001.

Interest expense includes interest on long-term debt as well as the cost of the Company's interest rate swap contracts. At the end of 2002, the Company had entered into four interest rate swaps with a notional amount of $43.8 million to reduce its exposure to interest rate fluctuations. This compares to two interest rate swaps with a notional amount of $33.8 million at the end of fiscal 2001. As a percentage of debt outstanding, the amount under swap contract at October 31, 2002 has increased to 48% of total long-term debt as opposed to 38% outstanding at October 31, 2001. The impact of the swaps was that interest rates for a portion of the Company's term loans were fixed at rates ranging from 4.9% to 6.2% plus a bank margin. Since actual floating interest rates, before bank margins, ranged between 2.0% to 3.6% during the year, the swaps caused the Company's interest expense to be higher in 2002 by $1.3 million (2001 - $0.3 million) than would otherwise have been the case if the Company had maintained all floating-rate debt. At October 31, 2002, the total unrealized loss with respect to the swaps was $2.3 million compared to $2.1 million at the end of 2001. It is management's intention to hold the swaps until their maturity.

CONSOLIDATED BALANCE SHEET

As at October 31, 2002, the balance sheet reflected very strong liquidity, as the current ratio improved to 2.4 from 2.1 in 2001, and a conservative capital structure, as the debt to equity ratio was 0.83 as compared to 0.94 in 2001. The interest coverage ratio relative to earnings from operations before other income (expenses) also improved year over year from 3.3 times to 4.3 times in 2002.

Accounts receivable arising from at-need cemetery sales were paid on average within 53 days at October 31, 2002 (2001 – 54 days). Accounts receivable arising from at-need funeral sales were paid on average within 30 days at October 31, 2002 (2001 – 29 days).

In 2002, instalment accounts receivable, which are included under pre-need receivables, increased by 5% to $71.1 million over 2001. Approximately 62% of these accounts receivable relate to amounts to be placed in trust and sales tax, with the Company retaining the remainder.

Income taxes receivable were the result of the Company's appeal of notices of reassessment for the years 1987 to 1990 with respect to reserves claimed on the sale of interment rights. In order to reduce its exposure to non-deductible interest and penalties, the Company has continued to make payments based on estimates of taxes and interest that would be owing if the Company was unsuccessful in defending its position. The Company continued to provide for taxes in its statement of earnings based on its position; however, tax remittances were made based on Canada Customs and Revenue Agency's ("CCRA's") reassessment position. The excess tax paid associated with CCRA's position has been classified up to now as income taxes on deposit on the balance sheet.

During 2002, the Company reached a settlement with CCRA for the years 1987 to 2000. The total excess of income tax paid, together with accumulated net interest of $4.7 million recognized in other

income, amounts to $11.3 million and is classified as income taxes receivable on the balance sheet.

Crypt and niche inventory replenishment is essential to ensure the products offered are available and provide sufficient selection to the customer, which assists the sales force in attaining cemetery sales targets. To this end, the Company spent $10.7 million on additional crypt and niche inventory during 2002, including:

- $5.2 million at Highland Memory Gardens (North Toronto, Ontario)
- $4.1 million at Glendale Memorial Gardens (West Toronto, Ontario)
- $0.3 million at Dartmouth Memorial Gardens (Dartmouth, Nova Scotia)

Cemetery Land is classified in two categories, namely, partially or fully developed cemetery land ("developed") and cemetery land held for future development ("undeveloped"). As at October 31, 2002, the developed land had a book value of $12.9 million (2001 - $10.8 million) and the undeveloped had a book value of $21.4 million (2001 - $22.8 million) for a total of $34.3 million (2001 - $33.6).

The development of land for burial gardens is essential to ensure the products offered are available and provide sufficient selection to the customer, which assists the sales force in attaining cemetery sales targets. To this end, the Company spent $1.1 million on the development of land for burial gardens during 2002, including;

- $0.6 million at Glenview Memorial Gardens (Vaughan, Ontario)
- $0.2 million at Highland Hills Memorial Gardens (Gormley, Ontario)
- $0.1 million at Eden Brook Memorial Gardens (Calgary, Alberta)

The Company also invested $1.5 million in undeveloped land.

During the period, the Company disposed of two parcels of undeveloped land for proceeds of $1.3 million and realized a gain on disposition of $0.3 million.

As land is developed, it is reclassified for sale by a transfer from undeveloped land to developed land. During the year $1.7 million of land was reclassified based on the acreage developed during the year. This included $0.6 million for the development of burial gardens at the Company's new cemetery, Glenview Memorial Gardens located in Vaughan, Ontario.

Capital expenditures and acquisitions: During the year, the Company incurred capital expenditures of $13.1 million compared to $6.4 million in 2001, in addition to new garden development and the replenishment of the crypt and niche inventory discussed previously. Details of capital expenditures during the year are as follows;

$3.8 million on cemetery maintenance and infrastructure, including:

- $1.3 million on roads at cemetery properties
- $1.1 million on furniture and equipment

$ 6.3 million on developing new and existing funeral homes and operational expenditures, including:

- $1.9 million at Hillcrest Funeral Home and Sales Office (Saskatoon, Saskatchewan)
- $2.2 million on funeral automobiles (normal course)
- $0.7 million on furniture and equipment

$3.0 million on head office capital expenditures, including:

- $2.2 million on further development of the enterprise computer system
- $0.5 million on completion of a computer system used by funeral directors
- $0.2 million on computer hardware

The enterprise computer system is a proprietary solution called "Focus" that will integrate all of the Company's operating systems. Accumulated costs on the project at October 31, 2002 totalled $3.1 million and are included in fixed assets - construction in progress on

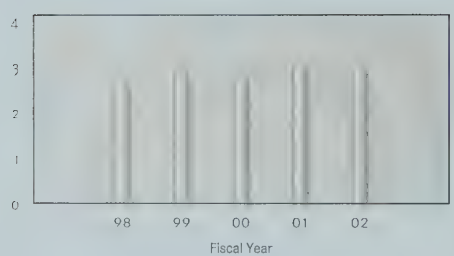
the balance sheet. The system is expected to be implemented in fiscal 2004. The Company anticipates that the new system will be a source of competitive advantage well into the future. In addition, the Company spent $0.5 million during the year to complete and implement a proprietary computer software program called "The Director". The Director assists funeral directors with contract administration and arrangements in a visual and interactive manner with customers. The accumulated costs on the project totalled $1.2 million and are included in fixed assets in the category of equipment and furniture.

Goodwill: In 2002, the Company adopted the new standard issued by the Canadian Institute of Chartered Accountants, "Goodwill and Other Intangible Assets". Previously, the Company amortized its goodwill on a straight-line basis over 40 years. Based on the new standard, goodwill of each reporting unit is reviewed by comparing the carrying value and the fair value of that reporting unit on an annual basis to determine whether an impairment loss should be recognized. A provision is made for any goodwill that is considered impaired.

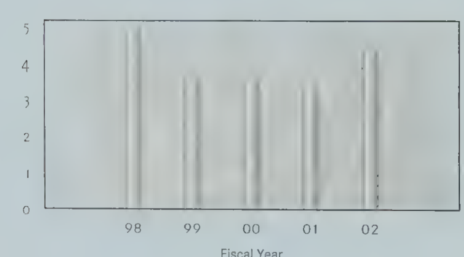
The first such review of goodwill occurred as of November 1, 2001 and goodwill of $2.4 million on a pre-tax basis was considered impaired as a result. The impairment related to nine funeral reporting units and two cemetery reporting units whose fair value had deteriorated since the date of purchase due to changes in competition and/or other market conditions. An amount of $2.1 million, representing the goodwill impairment on an after-tax basis, was charged to opening retained earnings in accordance with the transitional provisions of the new standard. The Company performed its annual review of goodwill in September 2002 and no further impairment was evident.

The amount of goodwill amortization recognized in 2001 was $1.4 million ($1.3 million on an after-tax basis), or $0.12 earnings per share.

DEBT TO CASH FLOW
(Ratio)



INTEREST COVERAGE
(Ratio)



Long-term debt at the end of 2002 was $96.8 million as compared with $97.3 million at the end of 2001. The decrease of $0.5 million was due to scheduled principal repayments on the notes payable and the capital lease, as no additional advances or repayments were made on the bank term loans during 2002.

The Company has a revolving term loan with two financial institutions under similar terms and conditions. The credit limit under the two facilities totals $125 million in addition to the operating facilities that provide credit in the amount of $14.0 million. On an annual basis, the Company is required to request an extension of the conversion date, currently set at April 30, 2003. If no extension is granted, quarterly principal payments commence, three months under one agreement and 15 months under the second agreement, from April 30, 2003. The Company has assumed, for purposes of classifying the current portion of long-term debt, that no extension will be granted in order to present the most conservative view.

The Company has satisfied all of the debt covenants as defined in the provisions of its bank loan agreements and is in good standing. Two such covenants are debt to cash flow and interest coverage, for which the Company has reported strong results in 2002.

Deferred revenue increased from $437.1 million to $466.7 million during the year. Deferred revenue represents contracted arrangements made on a pre-need basis where the product or service has yet to be delivered. The amount of deferred revenue on the books at October 31, 2002 is equivalent to approximately three years of current years sales for each of the cemetery and funeral divisions, which is substantially unchanged from last year, indicating that the Company's sales effort is strong as it maintains a stable amount of future revenue.

Shareholders' equity: The increase in retained earnings of $13.1 million is due to net earnings of $16.0 million, offset by the $2.1

million (on an after-tax basis) goodwill impairment charge due to the adoption of the new goodwill standard, and the $0.8 million dividend declared during the year.

CASH FLOW

Cash flow from operating activities in 2002 was $10.6 million compared to $14.6 million in 2001, a decrease of $4.0 million or 27%. The positive impact of $8.8 million in higher earnings in 2002 was offset by the negative impact of $9.4 million spent on developed land and crypt and niche additions, for a net decrease in cash of $0.6 million. Changes in other operating balance sheet items contributed to the remaining decrease in cash in the amount of $3.4 million.

Management believes that cash flow from operating activities, in addition to cash on hand, is sufficient to sustain ongoing operations as well as the routine maintenance and orderly replacement of the Company's fixed assets.

In prior years, the Company placed on deposit the funds necessary to reduce its ultimate exposure with respect to non-deductible interest and penalties from certain reassessments by various income tax authorities. The income taxes receivable of $11.3 million pertaining to the tax settlement reached in 2002 is expected to be received in mid-2003.

RISKS AND UNCERTAINTIES

Seasonality

While the death care industry is fairly stable and predictable, the Company's business can be affected by seasonal fluctuations in the death rate. Death rates are generally higher in the winter months.

Regulation

In November 2002, the results of the Ontario Ministry of Consumer and Business Services ("MCBS") Bereavement Sector Advisory

Committee ("BSAC") were presented to the Ontario legislature as Bill 209. On December 13, 2002, the Bill received Royal Assent. The Company has played an active role on the Committee since its formation in April 2001. The legislation provides increased consumer protection as well as fostering a level playing field between participants and suggesting options for a single regulatory regime. The legislation also sets out rules for how "combinations" (funeral homes located on cemetery properties) would be permitted. The impact of combinations for the Company should be positive, as currently, Ontario and Prince Edward Island are the only provinces that do not allow funeral homes on cemetery property. When the Government proclaims the legislation, the Company will further enhance its ability to serve its customers, since 21 of the Company's 41 cemeteries are located in that province. The next step is to draft the regulations, which could take between six to twelve months to complete. The legislation would be proclaimed shortly thereafter.

The Government of British Columbia is drafting new consumer protection legislation and is currently in a phase of consultation with industry stakeholders. Similarly, the Alberta and New Brunswick governments are looking at revising their regulations. The Company is unsure as to what impact, if any, this will have on its operations. Early indications from Alberta are that they may implement increased administration fees, which would not negatively impact the Company as these fees have traditionally been passed on to the customer.

In addition, the Federal Privacy Act and proposed provincial privacy legislation may impact the methods which the Company uses to stay in contact with families it has served in the past; however, any impact of this will not be known until January 2004 when government is expected to enact the privacy legislation.

Environmental

Environment Canada released new Canada wide standards in 2000 for allowable limits of air emissions. Recent pronouncements and events have indicated that provincial legislation will be harmonized with the federal standards once directives have been released by Environment Canada. The Government of Ontario is also in the process of designing new regulations for Ontario's crematoria. While consumer advocates are encouraging significantly higher emission standards, it is unknown at this time how this will impact the operations of the Company.

In December 2001, the Ontario government introduced a plan to manage hazardous waste, which could specifically prohibit the discharge of human blood to the sewers. The Ontario Funeral Service Association has submitted a position paper defending this practice, and is awaiting a formal response.

MANAGEMENT'S REPORT

The consolidated financial statements, including the notes thereto, and other financial information contained in the annual report are the responsibility of the management of Arbor Memorial Services Inc. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, which is comprised of non-management directors, meets with management and the auditors to satisfy itself that these responsibilities are properly discharged and to review the consolidated financial statements and the report of the auditors. It reports its findings to the Board of Directors, which approves the consolidated financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders of the Company, have audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards. The independent auditors have full and unrestricted access to the Audit Committee.

RICHARD D. INNES
President and Chief Executive Officer

BRIAN D. SNOWDON
Vice-President and Chief Financial Officer

AUDITORS' REPORT

We have audited the consolidated balance sheets of Arbor Memorial Services Inc. as at October 31, 2002 and 2001 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

CHARTERED ACCOUNTANTS
Toronto, Ontario
December 6, 2002

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

($000) *YEARS ENDED OCTOBER 31,*	2002	2001
Sales	162,700	156,787
Investment and other income (note 4)	11,976	11,723
	174,676	168,510
E:		
Operating	135,700	132,352
General and administrative	12,954	12,085
	148,654	144,437
S FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	26,022	24,073
ICOME (EXPENSES)		
Gain (loss) on sale of assets (note 15)	453	(109)
Provision for asset impairment (note 15)	(150)	(950)
Settlement of prior years' income taxes (note 11)	4,737	-
	5,040	(1,059)
FROM OPERATIONS	31,062	23,014
Interest expense	4,440	5,671
Earnings before income taxes	26,622	17,343
Income taxes (note 11)	10,640	10,150
EARNINGS	15,982	7,193
Retained earnings, beginning of year	31,117	24,666
Adoption of new goodwill standard (note 2)	(2,145)	-
Dividends	(742)	(742)
RETAINED EARNINGS, END OF YEAR	44,212	31,117
ASIC AND DILUTED EARNINGS PER SHARE	1.51	0.68

CONSOLIDATED BALANCE SHEETS

($000) AS AT OCTOBER 31,	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	7,609	11,293
Accounts receivable	14,555	14,164
Merchandise inventories	9,616	9,906
Income taxes receivable (note 11)	11,281	-
Pre-need receivables, current portion (note 5)	39,015	35,927
	82,076	71,290
Income taxes on deposit (note 11)	-	7,437
Pre-need receivables (note 5)	372,630	341,003
Crypts and niches	26,345	21,806
Cemetery land		
- fully or partially developed	12,890	10,818
- held for future development	21,424	22,808
Fixed assets (note 7)	143,774	138,291
Goodwill (note 2)	45,136	47,541
Future income taxes (note 11)	3,481	6,500
Other assets	6,544	7,188
	714,300	674,682
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	23,924	26,640
Amounts payable in respect of care funds (note 6)	6,525	6,430
Long-term debt, current portion (note 8)	3,408	571
	33,857	33,641
Deferred revenue (note 9)	466,679	437,124
Long-term debt (note 8)	93,359	96,767
Other liabilities	3,694	3,534
	597,589	571,066
SHAREHOLDERS' EQUITY		
Share capital (note 10)	72,499	72,499
Retained earnings	44,212	31,117
	116,711	103,616
	714,300	674,682

On behalf of the Board,

Daniel J. Scanlan

DANIEL J. SCANLAN, *Director*

RICHARD D. INNES, *Director*

CONSOLIDATED STATEMENTS OF CASH FLOWS

($000) YEARS ENDED OCTOBER 31,	2002	2001
ROVIDED BY (USED FOR)		
ACTIVITIES		
Net earnings	15,982	7,193
Add (deduct) items not affecting cash from operating activities:		
Depreciation and amortization	7,394	8,125
(Gain) loss on sale of assets (note 15)	(453)	109
Provision for asset impairment (note 15)	150	950
Future income taxes	3,279	3,446
Additions to developed land, crypts and niches	(11,783)	(2,343)
Developed land, crypt and niche cost of sales	6,878	6,563
Net change in other operating balance sheet items (note 13)	(10,877)	(9,456)
	10,570	14,587
ING ACTIVITIES		
Purchases of fixed assets	(13,126)	(6,398)
Additions to cemetery land held for future development	(1,521)	(544)
Proceeds on sales of assets (note 15)	1,706	661
	(12,941)	(6,281)
TIVITIES		
Repayments of long-term debt (note 8)	(571)	(1,834)
Dividends	(742)	(742)
	(1,313)	(2,576)
EASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,684)	5,730
Cash and cash equivalents, beginning of year	11,293	5,563
AND CASH EQUIVALENTS, END OF YEAR	7,609	11,293
EMENTARY INFORMATION		
Income taxes paid (net)	6,488	7,579
Interest paid	4,509	5,773

1. NATURE OF OPERATIONS

Arbor Memorial Services Inc. (the "Company") provides products and services in the death care industry in Canada. Through its subsidiaries, the Company offers a complete line of cemetery and funeral merchandise and services. As at October 31, 2002, the Company operated 41 cemeteries, 27 crematoria and 88 funeral homes and had interests in another 5 funeral homes.

The Company sells its cemetery and funeral products and services on both an at-need and a pre-need basis. The Company is required by provincial regulation to deposit specific amounts, received in respect of pre-need contracts, into trust pending the delivery of products and services. Upon delivery of the products and services, the Company is entitled to receive related amounts placed into trust and accumulated investment income thereon. In respect of interment rights, the Company is required to deposit into perpetual care funds amounts specified by provincial regulation. The investment income from the perpetual care funds is available to the Company to defray the costs of ongoing care and maintenance of cemeteries, mausolea and columbaria. Although the Company is entitled to the investment income earned, the perpetual care funds themselves are not assets of the Company.

2. CHANGE IN ACCOUNTING POLICY

Goodwill

Effective November 1, 2001, the Company adopted the new standard issued by the Canadian Institute of Chartered Accountants dealing with "Goodwill and Other Intangible Assets". Previously, the Company amortized its goodwill on a straight-line basis over 40 years. Based on the new standard, goodwill is no longer amortized; however, goodwill for each reporting unit is reviewed by comparing the carrying value and the fair value of that reporting unit on an annual basis to determine whether an impairment loss should be recognized. A provision is made for any goodwill that is considered impaired.

The first such review of goodwill occurred as of November 1, 2001 on transition to the new standard and resulted in an impairment charge of $2.4 million on a pre-tax basis. The impairment related to nine funeral reporting units and two cemetery reporting units whose fair value had deteriorated since the date of purchase due to changes in competition and/or other market conditions. An amount of $2.1 million, representing the goodwill impairment on an after-tax basis, was charged to opening retained earnings in accordance with the transitional provisions of the new standard. The Company performed its annual review of goodwill in September 2002 and no further impairment was evident.

The comparative goodwill amount of $47,541 is net of accumulated amortization of $11,035.

The amount of goodwill amortization recognized in 2001 was $1.4 million ($1.3 million on an after-tax basis). Excluding this goodwill amortization, the comparative figures for net earnings and earnings per share would have been $8.5 million or $0.80 per share on a basic and diluted basis.

OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and all corporations that it controls. Investments in associated corporations, in which the Company has significant influence, are accounted for by the equity method.

Recognition of revenue

Cemetery sales

i) At-need cemetery interment rights, merchandise and services

Sales of at-need cemetery interment rights, merchandise and services are recognized as revenue at the date of delivery.

ii) Pre-need cemetery interment rights

Sales of pre-need cemetery interment rights and their related costs are deferred and recognized when a minimum percentage of the interment right sales price has been collected.

Some contracts for the sale of pre-need cemetery interment rights can be cancelled by the customer prior to delivery. Cancellation estimates have been provided for based on historical experience.

iii) Pre-need cemetery merchandise and services

Sales of pre-need cemetery merchandise and services and related costs are deferred and recognized when the merchandise is delivered or the service is performed.

Investment income on trusted funds related to these merchandise and services is deferred and recognized as sales revenue when the merchandise is delivered or the service is performed.

Funeral sales

Sales of at-need funeral merchandise and services are recognized as revenue at the date of delivery. Sales of pre-need funeral merchandise and services and their related costs are deferred and recognized in earnings when the merchandise is delivered or the service is performed.

Investment income on trusted funds related to these merchandise and services is deferred and recognized as revenue when the merchandise is delivered or the service is performed.

Investment and other income

A portion of the proceeds from the sale of cemetery interment rights is required by provincial law to be paid into perpetual care trust funds. Investment income related to these perpetual care trust funds is recognized as earned by the funds and is used to defray cemetery maintenance costs, which are expensed as incurred.

All or a portion of the proceeds from cemetery and funeral merchandise or services sold on a pre-need basis are either deposited in trust or with third-party insurers under group annuity programs, at the direction of the customer and to the extent required by provincial legislation. The Company receives fees on the deposit of pre-need cemetery and funeral funds under the trust program and the group annuity programs. These fees are recognized as received, net of an allowance for those fees subject to refund.

Finance charges

Finance charges on the uncollected balance of instalment accounts receivable are collectible over the term of the sales agreement and are taken into income using the sum-of-the-digits method.

Obtaining costs on pre-need contracts

Costs incurred to obtain new pre-need cemetery and pre-need funeral contracts are deferred and recognized when the underlying interment rights, merchandise and services are recognized as revenue. Deferred obtaining costs include only those costs that vary with and are directly related to the acquisition of new pre-need contracts. Deferred obtaining costs are netted against deferred revenue on the balance sheet.

Valuation of assets and liabilities

Accounts receivable and pre-need receivables

Pre-need receivables represent instalment accounts receivable due from customers related to pre-need cemetery and funeral contracts and amounts that will be received by the Company from trust or from third-party insurers under group annuity programs upon delivery of pre-need merchandise and services.

Instalment accounts receivable are recorded net of unearned finance charges, and a provision for cancellations.

The amounts due from trust are recorded at cost, less a provision for loss in respect of individual investments where market value is below cost and this decline appears to be other than temporary. The amounts due to the Company under the group annuity programs represent the value that would be paid if the merchandise or services under the contracts were delivered or performed at the date of the balance sheet.

Merchandise Inventories

Merchandise inventories are carried at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Crypts and niches

Crypts and niches are carried at the lower of cost and net realizable value.

Cemetery land

Cemetery land is recorded at the lower of cost, which includes development costs, and net realizable value.

Fixed assets

Fixed assets are recorded at the lower of cost and net recoverable amount and are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	40 years
Equipment and furniture	3 to 10 years
Automotive equipment	7 to 10 years
Leasehold improvements	over term of lease
Other assets	10 to 25 years
Property under capital lease	40 years

Construction in progress is not depreciated. Upon completion of these projects, the assets are reclassified to one of the above categories and depreciation commences.

Goodwill

Goodwill for each reporting unit is reviewed by comparing the carrying value and the fair value of that reporting unit on an annual basis in September, or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized. A provision is made for any goodwill that is considered impaired.

Future income taxes

Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period of substantive enactment.

Stock Options

The Company accounts for stock options using the fair value method. Under the fair value method, compensation expense for stock options that are direct awards of stock is measured at fair value at the grant date using an option-pricing model and recognized over the vesting period. There was no impact in 2002, as no options were issued during the year.

Earnings per share (basic and diluted)

Earnings per share amounts have been calculated using the weighted average number of shares outstanding during the year of 10,595,243 (2001 – 10,595,243).

The calculations of diluted earnings per share include the potential issuance of shares under stock options that are dilutive. In determining whether options are dilutive or anti-dilutive, each issuance of options is considered separately using the treasury stock method.

There were no dilutive options outstanding during the current and prior year.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

4. INVESTMENT AND OTHER INCOME

($000)	2002	2001
Care funds	6,373	6,070
Pre-need funeral funds	3,682	3,724
Pre-need cemetery funds	1,358	1,013
Share of net earnings of associated corporations	361	430
Other	202	486
	11,976	11,723

($000)	2002	2001
Amounts due from cemetery trust funds	123,414	109,187
Amounts due from funeral trust funds	165,144	155,545
	288,558	264,732
Instalment accounts receivable	71,108	67,773
Amounts due from third-party insurers	51,979	44,425
	411,645	376,930
Less: current portion of instalment accounts receivable	39,015	35,927
	372,630	341,003

Trust funds held by third parties become available to the Company when the related merchandise and services have been delivered. Amounts due from cemetery and funeral trust funds consist of investments with fixed and floating interest rates and equity securities as follows:

($000)	2002	2001
Term deposits (fair value $173,344; 2001 - $159,400)	171,315	156,372
Bonds (quoted market value $104,040; 2001 - $91,060)	100,621	86,850
Equities (quoted market value $13,466; 2001 - $19,171)	12,988	18,501
Equity fund (quoted market value $3,439; 2001 - $2,985)	3,634	3,009
	288,558	264,732

The term deposits have a weighted average maturity and interest rate of 37 months and 4.4% respectively (2001 – 31 months and 4.6%). The bonds have a weighted average maturity and interest rate of five years and 6.0% respectively (2001 – five years and 6.1%). Due to interest rate changes, the Company may realize gains and losses on the disposal of term deposits or bonds if sold before their maturity.

Instalment accounts receivable are collectible as follows:

($000)	2002	2001
1st year	39,015	35,927
2nd year	18,140	17,258
3rd year	8,899	9,085
4th year	4,032	4,359
5th year and thereafter	1,022	1,144
	71,108	67,773

The fair value of the instalment accounts receivable at October 31, 2002 was approximately $71.5 million (2001 - $68.5 million).

The carrying value of amounts due from third-party insurers approximates its fair value.

The Company enters into sales contracts with numerous consumers, including groups, but no one consumer or group accounts for a significant concentration of credit risk.

6. CARE FUNDS

Funds collected and set aside with third-party trustees for the care and maintenance of cemeteries total $116.3 million (2001 - $106.4 million) at carrying value and $120.2 million (2001 - $112.2 million) at quoted market value. The Company has the right to the income from these funds, to the extent that it has incurred cost in the care and maintenance of cemetery properties, which is included in investment and other income. The capital portion of these funds is required to be held in trust in perpetuity to fund the cost of ongoing care and maintenance. The amounts payable of $6.5 million (2001 - $6.4 million) represent the uncollected portion of instalment accounts receivable which become payable into trust upon collection of the receivable.

The care funds are invested in accordance with the Company's investment guidelines, which are established to comply with legislative requirements for such funds. The funds are generally invested in medium term government and corporate bonds, which are held to maturity and earn income at fixed rates of return.

($000)	Cost		Accumulated depreciation and amortization		Net book value	
	2002	2001	2002	2001	2002	2001
Land	32,527	32,632	-	-	32,527	32,632
Buildings	106,283	103,779	34,106	31,962	72,177	71,817
Equipment and furniture	38,559	34,976	28,003	25,648	10,556	9,328
Automotive equipment	19,588	18,265	13,998	13,310	5,590	4,955
Leasehold improvements	5,503	5,487	5,244	5,095	259	392
Other assets	23,866	21,202	7,261	6,319	16,605	14,883
Property under capital lease	1,999	1,999	182	137	1,817	1,862
Construction in progress	4,243	2,422	-	-	4,243	2,422
	232,568	220,762	88,794	82,471	143,774	138,291

($000)	2002	2001
Bank term loans	94,163	94,163
Notes payable	654	1,215
Obligation under capital lease at 6.5% (2001 – 6.5%)	1,950	1,960
	96,767	97,338
Less: current portion	3,408	571
	93,359	96,767

The weighted average interest rate on the notes payable was 4.6% (2001 – 4.5%). The weighted average interest rate on long-term debt was 4.6% (2001 – 5.8%) based on interest expense on long-term debt for 2002 amounting to $4.4 million (including swap costs of $1.3 million) and $5.7 million (including swap costs of $0.3 million) for 2001.

The Company's credit facilities consist of revolving operating facilities and revolving term loans, both subject to annual renewal, in the amount of $14.0 million (2001 - $14.0 million) and $125 million (2001 - $125.0 million) respectively.

The operating facility is due on demand. At October 31, 2002 and 2001, the operating facility was undrawn.

The revolving term loans are automatically converted to term loans repayable in quarterly reductions equal to between .625% and 3.125% of the term loan on the conversion date, starting either three months or 15 months from the date of conversion, depending on the facility. The earliest date of conversion is assumed to be the date the facility expires, April 30th, 2003. The Company may request annual extensions to the conversion date. The maturity date for repayment of the remaining principal balance is on the third anniversary of the conversion date for one term loan and on the fifth anniversary for the second one.

Security for the credit facilities consists of a demand debenture constituting a first floating charge over all the Company's present and future book debts, inventory, property and assets as well as a general assignment of book debts.

The fair value of the Company's bank term loans approximates the carrying value given their floating rate nature. The carrying value of the remainder of the long-term debt is $2.6 million (2001 - $3.2 million) and the estimated fair value is $2.1 million (2001 - $3.1 million).

As of October 31, 2002, the Company's use of derivative financial instruments was limited to four (2001 – two) interest rate swaps with a Canadian chartered bank, whereby the Company has fixed a portion of its term loan financing at interest rates ranging from 4.9% to 6.2% plus a bank margin. At the end of the year, these swaps had a total notional amount of $43.8 million (2001 - $33.8 million). Two of the swaps amortize quarterly on a straight-line basis and will be fully amortized in 2008. The remainder of the term loans are subject to floating interest rates based on Bankers' Acceptances.

The fair value of the interest rate swaps is estimated as the discounted unrealized gain or loss calculated based on the market price at October 31, 2002, which generally reflects the estimated amount that the Company would receive or pay to terminate the contracts at the balance sheet date. The estimated fair value of the interest rate swaps is a loss of $2.3 million (2001 – loss of $2.1 million). Losses due to non-performance by the counter-party are not anticipated due to their high credit standing.

The amount of principal payable over each of the next five years and thereafter is as follows:

($000)	
2003	3,408
2004	7,670
2005	10,378
2006	59,714
2007	1,840
Thereafter	13,757
	96,767

REVENUE

($000)	2002	2001
Deferred pre-need cemetery sales	269,516	257,941
Deferred pre-need funeral sales	256,487	236,788
Deferred obtaining costs	(49,326)	(47,136)
Stored merchandise	(9,998)	(10,469)
	466,679	437,124

Stored merchandise represents merchandise purchased on behalf of customers under pre-need cemetery contracts and stored by the Company until the merchandise is delivered, and the related revenue is recognized. The merchandise is purchased when payment in full of the sales agreement is received.

(a) Authorized:

Unlimited number of Preferred Shares
Unlimited number of Class A Voting Shares
Unlimited number of Class B Non-Voting Shares

(b) Issued and outstanding:

($000)		2002	2001
2,525,497	Class A Shares	1,734	1,734
8,069,746	Class B Shares	70,765	70,765
10,595,243		72,499	72,499

The Class A and Class B shares have identical rights and privileges, except that the Class A shares are voting. In certain circumstances, if an offer is made by the Company or a third party to purchase Class A shares from each holder in Ontario, each Class B share is convertible into one Class A share.

(c) Share purchase options:

Number of Shares	Exercise Price	Expiry	Exercise Date
112,300	$19.25	June 2, 2005	exercisable currently
45,000	$29.36	January 29, 2007	exercisable currently
131,300	$23.50	December 17, 2008	20% on the first anniversary (December 17, 1998) and 20% in each subsequent year on the anniversary date until the fifth anniversary

No options were exercised during 2002 or 2001.

11. INCOME TAXES

a) Income tax expense for the years ended October 31 consists of the following:

($000)	2002	2001
Current tax expense	6,658	7,182
Future income tax expense relating to the origination and reversal of temporary differences	4,405	1,111
Future income tax expense (benefit) resulting from change in tax rate	(423)	1,857
Income tax expense	10,640	10,150

b) The reconciliation of the Company's effective income tax rate is as follows:

	2002	2001
	%	%
Combined basic federal and provincial income tax rate	40.0	43.5
Increase (decrease) in the basic tax rate resulting from:		
Effect on future taxes of reduction in tax rate	(1.2)	9.2
Non-deductible amortization of excess of acquisition cost over book value	0.4	3.7
Large corporations tax	1.7	3.8
Other items	(0.9)	(1.7)
Effective income tax rate	40.0	58.5

c) Settlement of prior year's income taxes

The significant components of future income taxes are net deductible/taxable temporary differences amounting to approximately $6.8 million (2001 - $11.0 million) arising from: pre-need cemetery and funeral trust income whereby certain provincial jurisdictions have permitted or currently permit the withdrawal of earned income prior to the delivery of the merchandise and services; reserves claimed for amounts received or to be received for the future delivery of certain cemetery merchandise; and the excess of share acquisition costs over book value.

During 2002, the Company reached a settlement with Canada Customs and Revenue Agency ("CCRA") with respect to reserves claimed on the sale of interment rights for the fiscal years 1987 to 2000. Based on the initial notices of reassessment for the years 1987 to 1990, the Company has had on deposit an estimate of the income tax and accumulated interest up to 2001, in the event that the Company was unsuccessful in defending its position. The settlement with CCRA is expected to result in the Company receiving $11.3 million in 2003, which includes $4.7 million of interest income ($7.8 million of interest income net of $3.1 million of interest expense).

RATING LEASE COMMITMENTS

The Company is committed to the following minimum annual payments under operating leases over the next five years for premises and equipment:

($000)	
2003	1,901
2004	1,093
2005	388
2006	41
2007	11
	3,434

13. NET CHANGE IN OTHER OPERATING BALANCE SHEET ITEMS

($000)	2002	2001
Accounts and income taxes receivable	(4,235)	1,488
Merchandise inventories	290	(612)
Pre-need receivables	(34,715)	(35,653)
Accounts payable and accrued liabilities	(2,721)	805
Deferred revenue	29,555	23,994
Other changes	949	522
	(10,877)	(9,456)

14. SEGMENT DISCLOSURE

The Company has three reportable segments: cemetery, funeral and corporate. The cemetery segment sells burial spaces and cemetery merchandise and services. The funeral segment sells funeral merchandise and services. The corporate segment's responsibilities include strategy development, human resource management, capital investment decisions and performance monitoring of the cemetery and funeral operations.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on earnings from operations.

The Company's reportable segments are strategic business units that offer different products and services. The nature of these products and services overlap in some instances in the cemetery and funeral segments. However, these segments are managed separately and have different regulatory requirements.

All of the Company's revenues are derived in Canada and all of the Company's capital assets and goodwill are located in Canada.

Industry segments *($Millions)*

	Cemetery		Funeral		Corporate		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
Sales	80.2	76.4	81.9	79.9	0.6	0.5	162.7	156.8
Investment and other income	7.7	7.1	4.1	4.1	0.2	0.5	12.0	11.7
Revenue	87.9	83.5	86.0	84.0	0.8	1.0	174.7	168.5
Interest expense	-	-	-	-	4.4	5.7	4.4	5.7
Depreciation and amortization	2.5	2.3	4.0	5.2	0.9	0.6	7.4	8.1
Earnings (loss) from operations before other income (expenses)	13.1	10.6	25.1	24.6	(12.2)	(11.1)	26.0	24.1
Other income (expenses)	0.4	(0.6)	(0.1)	(0.5)	4.7	-	5.0	(1.1)
Earnings from operations	13.5	10.0	25.0	24.1	(7.4)	(11.1)	31.1	23.0
Identifiable assets	286.0	260.5	402.3	383.5	26.0	30.7	714.3	674.7
Capital expenditures	3.8	2.3	6.3	2.4	3.0	1.7	13.1	6.4
Developed land, crypt and niche additions	11.8	2.4	-	-	-	-	11.8	2.4
Cemetery land held for future use	1.5	.5	-	-	-	-	1.5	.5
Current year total pre-need sales (1)	58.4	55.6	43.1	37.9	-	-	101.5	93.5

(1) Current year total pre-need sales represents pre-need cemetery and funeral contracts written in the year. These sales are deferred until the merchandise is delivered or the service is provided, except for cemetery interment rights.

S. DISPOSITIONS AND ASSET IMPAIRMENT

In 2002, the Company acquired a parcel of land for cemetery purposes for cash consideration of $1.4 million. The Company also disposed of two parcels of land for proceeds of $1.3 million. The Company did not acquire or dispose of any funeral homes during the year (2001 – two funeral homes and an apartment building were disposed of for net cash proceeds of $0.4 million).

In 2002, the Company identified impairment in the carrying value of an investment in an associated corporation resulting in a provision of $0.2 million during 2002. During 2001, impairment in the value of a parcel of land and a funeral home that was closed and merged with another funeral home during the year resulted in a provision of $1.0 million.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

($000)	2002 Fiscal quarters ended Jan-31	Apr-30	Jul-31	Oct-31	Year Ended Oct-31
Sales	40,423	41,161	40,743	40,373	162,700
Investment income and other income	2,802	3,112	2,945	3,117	11,976
Total revenue	43,225	44,273	43,688	43,490	174,676
Expenses	35,480	35,980	38,433	38,761	148,654
Earnings from operations before other income (expenses)	7,745	8,293	5,255	4,729	26,022
Other income (expenses)	8	28	18	4,986	5,040
Interest expense	1,171	1,048	1,076	1,145	4,440
Earnings before income taxes	6,582	7,273	4,197	8,570	26,622
Income taxes	2,832	3,068	1,745	2,995	10,640
Net earnings for the period	3,750	4,205	2,452	5,575	15,982
Basic earnings per share [1]	$0.35	$0.40	$0.23	$0.53	$1.51
Basic earnings per share excluding unusual items[2]	$0.35	$0.40	$0.23	$0.23	$1.21

($000)	2001 Fiscal quarters ended Jan-31	Apr-30	Jul-31	Oct-31	Year Ended Oct-31
Sales	38,549	38,022	39,310	40,906	156,787
Investment income and other income	2,409	2,842	2,870	3,602	11,723
Total revenue	40,958	40,864	42,180	44,508	168,510
Expenses	34,115	34,529	36,733	39,060	144,437
Earnings from operations before other income (expenses)	6,843	6,335	5,447	5,448	24,073
Other income (expenses)	32	(181)	(424)	(486)	(1,059)
Interest expense	1,554	1,471	1,377	1,269	5,671
Earnings before income taxes	5,321	4,683	3,646	3,693	17,343
Income taxes	4,045	2,239	2,101	1,765	10,150
Net earnings for the period	1,276	2,444	1,545	1,928	7,193
Basic earnings per share [1]	$0.12	$0.23	$0.15	$0.18	$0.68
Basic earnings per share excluding unusual items[2]	$0.29	$0.28	$0.25	$0.25	$1.07

[1] All earnings per share figures presented are applicable to both Class A and Class B shares. Diluted earnings per share do not differ from basic earnings per share.

[2] Unusual items consists of other income (expenses), the impact of the change in future tax rates and in 2001, goodwill amortization.

FIVE YEAR STATISTICAL REVIEW

($000) YEARS ENDED OCTOBER 31	2002[1] (52 weeks)	2001[1] (52 weeks)	2000[1] (52 weeks)	1999 (53 weeks)	1998 (52 weeks)
EARNINGS					
Revenue	174,676	168,510	160,009	165,192	151,569
Earnings from operations before other income (expenses)	26,022	24,073	21,224	28,530	27,423
Other income (expenses)	5,040	(1,059)	638	(7,855)	346
Earnings before income taxes	26,622	17,343	15,606	14,688	24,160
Net earnings	15,982	7,193	6,746	3,808	12,570
[illegible]					
Provided by (used for)					
Operating activities	10,570	14,587	15,671	12,357	13,436
Investing activities	(12,941)	(6,281)	(7,559)	(24,687)	(48,929)
Financing activities	(1,313)	(2,576)	(4,847)	14,504	32,529
FINANCIAL POSITION					
Working capital	48,219	37,649	33,332	30,045	13,481
Pre-need receivables	411,645	376,930	341,513	N/A	N/A
Pre-need funds and merchandise	N/A	N/A	N/A	277,968	254,928
Total assets	714,300	674,682	645,775	637,861	602,166
Long-term debt	96,767	97,338	99,172	103,322	86,991
Shareholders' equity	116,711	103,616	97,165	174,664	171,598
Debt to equity ratio	0.83:1	0.94:1	1.02:1	0.59:1	0.51:1
PER SHARE DATA					
Earnings *($ per share)*					
Class A Voting	1.51	0.68	0.64	0.36	1.19
Class B Non-Voting	1.51	0.68	0.64	0.36	1.19
Cash flow from operating activities *($ per share)*	1.00	1.38	1.48	1.17	1.27
Weighted average number of shares outstanding *(000)*	10,595	10,595	10,594	10,589	10,585
MAJOR RESOURCES					
Cemeteries	41	40	40	44	44
Crematoria	27	27	27	26	26
Funeral homes[2]	93	92	95	96	94
Care funds *($000)*	116,311	106,379	99,451	92,332	85,443

[1] The 2002, 2001 and 2000 figures have been presented under the Company's revenue recognition policies adopted in 2001. Years prior to 2000 have not been restated.

[2] This figure includes five funeral homes in which the Company has interests ranging from 40% to 48% in the associated companies which own the funeral homes.

STOCK INFORMATION

The Company's shares have been listed on the Toronto Stock Exchange since 1973. Information concerning its shares follows:

Class of Shares	A (Voting)	B (Non-Voting)
Stock Symbol	ABO.A	ABO.B
Cusip#	038916-10-2	038916-20-1
Market Price (at October 31):		
2002	$12.50	$12.50
2001	12.00	12.50
2000	7.00	5.55
1999	12.00	12.10
1998	18.00	18.50

DIRECTORS

Daniel J. Scanlan,
Chairman of Arbor Memorial Services Inc., Toronto

Richard D. Innes,
President and Chief Executive Officer of Arbor Memorial Services Inc., Toronto

Joseph M. Scanlan,
Vice-Chairman & Senior Vice-President, Sales of Arbor Memorial Services Inc., Toronto

Paul F. Scanlan,
Regional Sales Director of Arbor Memorial Services Inc., Toronto

Philip L. Wilson,
Corporate Director, Toronto

Roger A. Hall,
Corporate Director, Toronto

John C. Clark,
Corporate Director and President and Chief Executive Officer of J.C. Clark Limited, Toronto

Robert E. Rose,
Corporate Director and Partner, Clarke Henning LLP, Toronto

Brian L. Zenkovich,
Corporate Director and Chief Executive Officer and Secretary of Winzen International Inc., Toronto

Kenneth T. Rosenberg,
Proposed Corporate Director and Partner with Paliare Roland Rosenberg Rothstein LLP, Toronto

HONORARY DIRECTOR

Lord Shaughnessy,
London, England

OFFICERS AND CORPORATE MANAGEMENT

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Chairman

Richard D. Innes,
President and Chief Executive Officer

Gary R. Carmichael,
Vice-President, Government and Corporate Affairs

Iain Robb,
Corporate Secretary and Partner with Gowling Lafleur Henderson LLP, Toronto

Gillian Mossington,
Assistant Secretary

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Vice-Chairman and Senior Vice-President, Sales

Michael J. Scanlan,
Vice-President, Marketing

Monica M. Flanagan,
Director of Administrative Services

Funeral Service

John S. Earle,
Senior Vice-President, Funeral Service

Jeffrey S. Scott,
President, Trillium Funeral Service Corporation

John S. Doney,
Corporate Development

Human Resources

Michelle A. Gibbons,
Vice-President, Human Resources

Cemetery Operations

Gary D. Rogerson,
Vice-President, Operations

Construction & Development

Stephen J. Rupert,
Vice-President, Construction and Development

Finance/Trust Administration

Brian D. Snowdon,
Vice-President and Chief Financial Officer

Laurel L. Ancheta,
Director of Finance

Pamela F. Collie,
Director of Trust Accounting

Information Services

Mike Ayres,
Director of Information Services

CEMETERY SALES

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Director of Sales, Western Canada

Regional Management

Mark Agate,
South Western Ontario

Gary Boyce,
Western Canada

Doug Oliver,
Southern Ontario

Howard Hoidas,
Quebec

Charles Duchesnay,
Southeast Central Ontario

Brian G. MacMillan,
South Central Ontario

Leonard Marceau,
South Eastern Ontario

Paul F. Scanlan,
Southern Ontario

Peter Bancroft,
Atlantic Canada

CEMETERY OPERATIONS

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Eastern Canada

Kenneth Gurney,
Niagara and Thunder Bay

Rodger W. Halden,
Western Ontario

P. Bradley Hunter,
Eastern Ontario

James Risbey,
Alberta and British Columbia

Bruce Slack,
Central Ontario

Terry Bokshowan,
Manitoba and Saskatchewan

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Patricia R. Vieira,
Toronto East

Sylvie A. Furtado,
Toronto West

Kathleen S. Mackay,
Saskatchewan, Manitoba and Thunder Bay

Teresa M. Bastin,
Edmonton

Diane E. Vinje,
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PRINCIPAL TRUSTEES OF FUNDS

TD Canada Trust Company

The Bank of Nova Scotia Trust Company

ANNUAL MEETING

The annual meeting of Arbor Memorial Services Inc. will be held in the Brulé Room, The Old Mill, 21 Old Mill Road, Toronto, Ontario, on Thursday, February 20, 2003 at 10:00 a.m. (Toronto time).